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CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
28 June 1963

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: Orientation of Uruguay

1. The current Uruguayan flirtation with the Soviet bloc and Cuba seems motivated primarily by economic rather than political concerns. The weak and somewhat ineffective government has been attempting for some months to reverse a steadily declining economic situation. Uruguay suffers a continuing trade deficit, has found it difficult to expand exports because of high labor costs, and contemplates that future agriculture policies of the European Economic Community will jeopardize the country's traditional European market.

2. Bilateral trade with the Bloc has long been championed by leftist and Communist elements, and a number of influential business leaders and government officials have joined the chorus. There are signs, however, that Uruguay's interest in such trade may be waning.

3. During the past four months, trade negotiations have been conducted sporadically with the USSR, Bulgaria, Rumania, North Korea, and Cuba. An Uruguayan bank official apparently thought up the proposed barter agreement with the Soviet Union, and may have been the government's spokesman at the Soviet legation in Montevideo. The other bloc countries and Cuba, however, probably took the initiative in approaching Uruguay first.

4. The only trade contract that has actually been signed is with Cuba. There are good indications that the negotiations with the other bloc

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countries have become deadlocked, and that no agreements will be consummated in the immediate future. In any case, the Uruguayans are more anxious to sell than to buy.

5. Last year an arrangement was made with the USSR whereby Uruguay sold 5 million dollars worth of beef, and in return was to purchase Soviet products worth 70 percent of this amount. Uruguay, however, bought practically no Soviet products, but instead continued importing from traditional US and West European suppliers.

6. The Cuban contract signed on 21 June reflects Montevideo's eagerness to sell but reluctance to buy bloc goods. At the beginning of the talks in mid-May, Cuba pressed for a bilateral trade and payments agreement. The deal consummated on 21 June calls for Cuba to buy 7,500 to 15,000 tons of rice worth one to two million dollars, but does not require Uruguay to purchase sugar on a reciprocal basis. Havana radio reports that the Uruguayan government will soon approve a decree authorizing a purchase of 50,000 tons of Cuban sugar, but this has not yet been confirmed.

7. The present government is controlled by the Union Blanca Democratica (UBD) faction of the Nationalist (Blanco) party through its control of the plural executive body. In general, the Blancos are conservative but have no clear-cut ideology, platform, or program. The job of governing is made extremely difficult by the division of the party into four mutually antagonistic factions largely on personal grounds. [REDACTED]

[REDACTED] reduce government efficiency. The present nine-man executive is pro-US and anti-Communist, but lacks prominent and capable leadership.

8. The Colorado Party is the major opposition political party in Uruguay. It, like the Blancos, is factionalized. It is non-Communist but follows a more leftist, anti-US line than the Blancos.

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9. The Communist Party enjoys legal status in Uruguay and has one senator out of 31 and three deputies out of 99 in the legislature. The party enjoys a high degree of freedom and mobility and, when called upon, can exert a greater degree of influence in the country's political life than its parliamentary strength would suggest. There are about 5,000 card-carrying Communists and perhaps 20,000 sympathizers. The leadership is pro-Soviet, but there is growing pro-Chinese sentiment among the rank and file. A small faction tends to respond to Castro's leadership.

10. The Soviet Union, Czechoslovakia, Bulgaria, Poland, Rumania, Hungary, and Cuba have diplomatic representation in Montevideo. In addition, East Germany and North Korea maintain trade offices.

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